

DOUGLAS D. DANFORTH

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1 COMMONWEALTH OF PENNSYLVANIA ) E R R A T A  
2 COUNTY OF ALLEGHENY ) S H E E T

3 I, DOUGLAS DANFORTH, have read the foregoing  
4 pages of my deposition given on Wednesday, October 8,  
5 2003, and wish to make the following, if any,  
6 amendments, additions, deletions or corrections:

7 Page/Line Should Read Reason for Change  
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20 In all other respects, the transcript is true and  
21 correct.

22 \_\_\_\_\_  
23 DOUGLAS DANFORTH

24 Subscribed and sworn to before me this  
25 \_\_\_\_\_ day of \_\_\_\_\_, 2003.

\_\_\_\_\_  
Notary Public  
AKF Reference No. 77621

**Davenport Dep.**

**In The Matter Of:**

***AHERF v.  
PRICEWATERHOUSECOOPERS***

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***RONALD DAVENPORT***  
***April 20, 2004***

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**DAVENPORT, RONALD - Vol.**



<p style="text-align: right;">Page 86</p> <p>1 meetings?</p> <p>2 A. I did not.</p> <p>3 Q. And by one of these meetings, I meant the AHERF</p> <p>4 board of trustees' meetings.</p> <p>5 A. Yes.</p> <p>6 Q. Let me just go back to Exhibit 1661, which are</p> <p>7 the 1996 audited financials.</p> <p>8 A. Okay.</p> <p>9 Q. If you go to the page ending in 1606 --</p> <p>10 A. Okay.</p> <p>11 Q. -- it says, Report of independent accountants.</p> <p>12 A. Mm-hmm.</p> <p>13 Q. And there's a signature of Coopers &amp; Lybrand at</p> <p>14 the bottom. If you could just read this page</p> <p>15 to yourself, and then I'll ask you a couple</p> <p>16 questions about it.</p> <p>17 - - - -</p> <p>18 (The witness reviewed the Exhibit.)</p> <p>19 - - - -</p> <p>20 A. Okay.</p> <p>21 Q. Is your understanding of the role of Coopers &amp;</p> <p>22 Lybrand in auditing the financial statements of</p> <p>23 AHERF any different from what is written here</p> <p>24 in this report of independent accountants?</p> <p>25 MR. UNICE: Object to form.</p>	<p style="text-align: right;">Page 88</p> <p>1 MR. UNICE: Object to form.</p> <p>2 MR. McCLENAHAN: Do you think it's</p> <p>3 possible is the question?</p> <p>4 MR. FRIESEN: Yes.</p> <p>5 A. Not for long.</p> <p>6 Q. Do you think in hindsight that Mr. Abdelhak had</p> <p>7 too much power?</p> <p>8 MR. UNICE: Object to form.</p> <p>9 A. I don't think he had -- he had too much power.</p> <p>10 I think the -- given the complicated nature of</p> <p>11 the structure, it lent itself to independent</p> <p>12 action. In other words, it was almost like our</p> <p>13 intelligence system, there's so many players so</p> <p>14 that information's not always shared.</p> <p>15 For example, you asked me the</p> <p>16 question about do I ever have -- do I know of</p> <p>17 any trustees raising questions. Well, Vince</p> <p>18 Sarni and I were very good friends. He played</p> <p>19 a major role in Philadelphia. I never knew</p> <p>20 that he resigned or why, because that would</p> <p>21 have been very important to me.</p> <p>22 Q. And did that -- in your view, did the</p> <p>23 supervision by the board, both the AHERF board</p> <p>24 and the other connected and related boards, did</p> <p>25 their supervision of management become more</p>
<p style="text-align: right;">Page 87</p> <p>1 A. My understanding -- I read this and</p> <p>2 specifically the last sentence about</p> <p>3 information as received. I would assume that</p> <p>4 an auditor would -- would be able to pick up</p> <p>5 any shell games, if there were, in fact, shell</p> <p>6 games, but that's what I would assume. I</p> <p>7 recognize the information is provided by the</p> <p>8 principal.</p> <p>9 Q. Well, let me ask you this: If you go to the</p> <p>10 second paragraph --</p> <p>11 A. Right.</p> <p>12 Q. -- it says, We conducted our audit in</p> <p>13 accordance with generally accepted auditing</p> <p>14 standards. Those standards require that we</p> <p>15 plan and perform the audit to obtain reasonable</p> <p>16 assurance about whether the financial</p> <p>17 statements are free of material misstatement.</p> <p>18 A. Right.</p> <p>19 Q. Did you have any understanding of the role of</p> <p>20 the outside auditor that differed from this</p> <p>21 statement?</p> <p>22 A. No.</p> <p>23 Q. And generally do you think it's possible that</p> <p>24 management could be doing shell games that an</p> <p>25 auditor could not find?</p>	<p style="text-align: right;">Page 89</p> <p>1 difficult as time progressed because of the</p> <p>2 growing complexities of --</p> <p>3 A. Yes.</p> <p>4 Q. -- the organization?</p> <p>5 MR. UNICE: Object to form, lack of</p> <p>6 foundation as to other boards he wasn't on.</p> <p>7 Q. Do you consider Mr. Abdelhak to be someone who</p> <p>8 was open to other people's suggestions?</p> <p>9 A. Somewhat. He was very opinionated, very strong</p> <p>10 in his opinions. He did not like dissent, but</p> <p>11 he was solicitous of board members.</p> <p>12 Q. You can put that document aside.</p> <p>13 Let's mark this exhibit as Exhibit</p> <p>14 2553, and it's Bates numbered PR-PLD-020-02016</p> <p>15 through 02021.</p> <p>16 - - - -</p> <p>17 (Exhibit 2553 marked for identification.)</p> <p>18 - - - -</p> <p>19 Q. It says trustees' evaluation at the top.</p> <p>20 A. Okay.</p> <p>21 Q. And I'll represent to you that this came from a</p> <p>22 stack of evaluations that were behind a tab</p> <p>23 that said 1994 trustee evaluations, and this is</p> <p>24 the only one I've seen that's actually typed</p> <p>25 up, but is that your signature on the last</p>

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1 page?  
 2 A. That is my signature.  
 3 Q. And do you recall typing or instructing someone  
 4 to type up a trustee evaluation?  
 5 A. I do not recall, but that is my signature.  
 6 Q. Do you remember receiving a trustee evaluation  
 7 at any time that was in this form?  
 8 A. No.  
 9 Q. But I take it that since you signed this, you  
 10 have no reason to dispute that you submitted  
 11 this at some point?  
 12 A. I have no reason to dispute it. That is my  
 13 signature, unless it was taken from some other  
 14 page.  
 15 Q. Okay. Let me show you another document then  
 16 which says -- well, this is Exhibit 2554.  
 17 - - - -  
 18 (Exhibit 2554 marked for identification.)  
 19 - - - -  
 20 A. Okay.  
 21 Q. This one says 1995, trustees' evaluation?  
 22 A. Mm-hmm.  
 23 Q. Now, your name is typed on this one at the end.  
 24 A. Okay.  
 25 Q. And do you recall --

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1 A. No.  
 2 Q. -- filling this one out?  
 3 A. No, and I would -- I cannot imagine my having  
 4 my name typed.  
 5 Q. Well, do you have any explanation for this  
 6 document then?  
 7 A. None, but I can't imagine my name would be  
 8 typed.  
 9 Q. Just for the record, why don't you read through  
 10 this document and let me know if there's  
 11 anything that you see --  
 12 A. From 1995?  
 13 Q. Yes. If there's anything that you see that you  
 14 would not agree with, that stands out as  
 15 something you would not have put down here.  
 16 MR. UNICE: That he could look now  
 17 that he wouldn't have agreed with in 1995?  
 18 MR. FRIESEN: That he now thinks that  
 19 he wouldn't have agreed with in 1995.  
 20 A. As an example, there's a question mark under  
 21 the meetings.  
 22 Q. Yes.  
 23 A. I don't know why I would do that.  
 24 Q. Okay.  
 25 A. Another line says I would want more meetings.

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1 I know I wouldn't say that.  
 2 Q. Okay. Anything else?  
 3 A. I would not have said that I would want fewer  
 4 meetings that lasted longer, no. Site visits,  
 5 not necessarily. The line which has No. 2 on  
 6 education is the same as what I said in 1994.  
 7 I see under (c) I put an X in both.  
 8 Q. I'm sorry, say that again?  
 9 A. Under No. 3 under education, there's an X in  
 10 both system-wide and individual, I would never  
 11 have done that, or every three to five years.  
 12 I would not put question marks by my time  
 13 commitments or question marks about the time I  
 14 spent is appropriate. Okay. That's about it.  
 15 MR. FRIESEN: Okay. Let me take a  
 16 break, and I might be done fairly soon, okay?  
 17 THE VIDEOGRAPHER: We are going off  
 18 the record at 12:10.  
 19 - - - -  
 20 (There was a recess in the proceedings.)  
 21 - - - -  
 22 THE VIDEOGRAPHER: We are back on the  
 23 record at 12:25.  
 24 BY MR. FRIESEN:  
 25 Q. Mr. Davenport, have you met with anyone from

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1 Jones Day about this deposition?  
 2 A. No.  
 3 MR. FRIESEN: Okay. I don't have any  
 4 further questions at this time. I may have  
 5 some more after he's done with you. Thank you  
 6 very much for coming in.  
 7 - - - -  
 8 EXAMINATION  
 9 - - - -  
 10 BY MR. UNICE:  
 11 Q. Good afternoon, Mr. Davenport. Again, my name  
 12 is John Unice. I'm here for the Plaintiff, the  
 13 Official Committee of Unsecured Creditors of  
 14 AHERF.  
 15 Earlier on this morning you listed I  
 16 think to the best of your recollection some of  
 17 the other nonprofit boards on which you served,  
 18 and correct me if I'm wrong, but they are the  
 19 National Urban League, the National Chamber of  
 20 Commerce and the Heinz Historical Foundation?  
 21 A. The list was in the '80s he asked me.  
 22 Q. Okay.  
 23 A. The '80s, the National Urban League, the U.S.  
 24 Chamber of Commerce, but not Heinz. Heinz  
 25 History came in the '90s.

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1 Q. Okay. Besides those three, any other  
 2 involvement on your end in nonprofit boards  
 3 that you haven't told us today?  
 4 A. The Committee on Economic Development, CED.  
 5 That's all I can think of.  
 6 Q. What is the Committee on Economic Development?  
 7 Where is that located?  
 8 A. It's a group of businessmen, 200 businessmen,  
 9 made up of corporate leaders from all over the  
 10 country. It's located in New York.  
 11 Q. What is the length of your tenure on that  
 12 board?  
 13 A. Oh, since about 1978.  
 14 Q. And you are currently a member, sir?  
 15 A. Yes.  
 16 Q. So aside from AHERF-related entities, there are  
 17 four other --  
 18 A. That's right.  
 19 Q. -- entities on which you served as a nonprofit  
 20 trustee.  
 21 I believe you shared with Mr. Friesen  
 22 earlier on your view that the role of a  
 23 nonprofit board member are mainly twofold:  
 24 One, to select the organization's chief  
 25 executive officer; correct?

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1 A. Correct.  
 2 Q. And the second would be to supervise his or her  
 3 work with the system?  
 4 A. That's correct.  
 5 Q. Let's talk for a little bit about the second  
 6 component of that role. As a nonprofit board  
 7 member, can you tell me generally in your  
 8 experience the types of information from  
 9 management that you found useful in the  
 10 execution of your duties?  
 11 A. Financial, personnel, and vision.  
 12 Q. Vision being strategic thinking and so forth?  
 13 A. That's correct.  
 14 Q. Now, in the course of your responsibilities as  
 15 a nonprofit board member, have you from time to  
 16 time been assisted by external professionals  
 17 retained by management --  
 18 A. Yes.  
 19 Q. -- to engage in those duties?  
 20 A. Yes, we have.  
 21 Q. What kinds of professionals have helped you in  
 22 the course of your duties?  
 23 A. With the vision particularly, sometimes we'd  
 24 search for personnel and sometimes with  
 25 financial expertise.

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1 Q. Now, let's stick for a minute now just with  
 2 your AHERF experience.  
 3 A. Okay.  
 4 Q. Let me rephrase that, AHERF-related experience.  
 5 This will go back to AGH before AHERF was in  
 6 anybody's mind.  
 7 Were you aware that AHERF, for  
 8 financial assistance, hired outside -- an  
 9 outside auditing firm to audit the financial  
 10 statements presented by management on a yearly  
 11 basis?  
 12 A. Yes.  
 13 MR. FRIESEN: Objection to the term  
 14 financial assistance.  
 15 Q. Who are those auditors?  
 16 A. They were Coopers & Lybrand.  
 17 Q. Were you aware that Coopers & Lybrand had  
 18 served as AGH's auditor for the better half of  
 19 a century?  
 20 A. Not really.  
 21 Q. Did you have any sense at all?  
 22 MR. McCLENAHAN: You were with them a  
 23 long time, but not that long.  
 24 Q. Did you have any sense at all as to how long  
 25 they had been serving as --

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1 A. No, I had --  
 2 Q. -- the organization's auditors?  
 3 A. No.  
 4 Q. Okay. Now, let's focus on the role of external  
 5 auditor with respect to your service on the  
 6 AHERF board.  
 7 A. Okay.  
 8 Q. Can you tell me what your understanding was of  
 9 the role of the auditor for the AHERF  
 10 enterprise in connection with your duties as an  
 11 AHERF trustee?  
 12 A. I think to review the financial performance of  
 13 the institution and to give us a report there  
 14 and to evaluate the information that the  
 15 internal financial committee was preparing and  
 16 to inform us if there were any questions or  
 17 problems.  
 18 Q. Okay. Couple things I want to break down in  
 19 that response. Who is the "us" in the response  
 20 you just gave?  
 21 A. The board of directors.  
 22 Q. And then what do you mean, can you be more  
 23 descriptive when you say inform you of problems  
 24 with the financial information?  
 25 A. If -- in typical terms if we are losing money,

25 (Pages 94 to 97)



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1 if our systems are set up in a way that it  
 2 would encourage fraud, if we are not properly  
 3 reporting to the appropriate governmental  
 4 agencies, or we are making improper charges or  
 5 submitting improper billing.  
 6 Q. Now, did you place any reliance upon Coopers &  
 7 Lybrand as AHERF's external auditors to inform  
 8 the board of any of the examples that you just  
 9 gave me?  
 10 A. Yes.  
 11 Q. Explain to me what reliance you placed upon  
 12 them to discharge those duties.  
 13 A. Total, and my view is always the only person  
 14 who can betray you is someone that you trust.  
 15 The others don't get the opportunity.  
 16 Q. Did you also understand it that the external  
 17 auditors report on occasion to AHERF's audit  
 18 committee?  
 19 A. Yes.  
 20 Q. Explain to me your understanding of the  
 21 interaction between the AHERF audit committee  
 22 and the system's external auditors.  
 23 A. I would assume that the audit committee would  
 24 go over in detail the financial information as  
 25 represented by management and would red flag

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1 or, pardon me, would be given a red flag on any  
 2 issues, any questions that might come from the  
 3 audit.  
 4 Q. And the givers of the red flag in your last  
 5 answer would be the external auditors?  
 6 A. That's correct, in the absence of management  
 7 giving it.  
 8 Q. Did you also understand the role of the  
 9 external auditors to be to disclose to the  
 10 board or audit committee if it had concerns  
 11 with the integrity of the financial data that  
 12 management presented for audit?  
 13 A. Oh, absolutely.  
 14 MR. FRIESEN: Objection.  
 15 A. Absolutely.  
 16 Q. Why is that of concern to you as a board  
 17 member?  
 18 A. Well, because you can only make decisions on  
 19 the basis of the information that you receive,  
 20 and if there is some question concerning the  
 21 integrity of the presenter or the developer of  
 22 the information, that's fundamental.  
 23 Q. Is it part of your understanding of the  
 24 auditor's role or would part of that role also  
 25 include disclosure to the audit committee or

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1 board of any material misstatements the  
 2 auditors had found in the financial information  
 3 presented by management for audit?  
 4 MR. FRIESEN: Objection.  
 5 Q. Go ahead, sir.  
 6 A. I would assume that that would be reported to  
 7 the audit committee, and the audit committee,  
 8 depending upon the gravity of the situation,  
 9 would report it to the board.  
 10 Q. Did you also understand that another role of  
 11 the auditor for AHERF was to report any  
 12 intentional misstatements that it found --  
 13 A. Well, absolutely.  
 14 Q. -- in connection with the financial information  
 15 presented by management?  
 16 MR. FRIESEN: Let me just get my  
 17 objection in.  
 18 THE WITNESS: Okay.  
 19 MR. FRIESEN: Objection.  
 20 A. Okay. Absolutely, of course.  
 21 Q. Similarly, sir, if the external auditors during  
 22 the course of their audit work had concerns  
 23 with the integrity of the personnel in  
 24 financial management, would that be something  
 25 that you'd expect the auditors to bring to the

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1 board or audit committee's attention?  
 2 MR. FRIESEN: Objection.  
 3 A. Yes.  
 4 Q. And why are those type of revelations that we  
 5 just talked about important to you as a  
 6 trustee?  
 7 A. If there's an intentional misstatement of a  
 8 material fact, then it's of great importance.  
 9 If the integrity of the developer of the  
 10 material is in question, that is of great  
 11 importance because then you can't trust the  
 12 people.  
 13 Q. Who is "the people" in that last response?  
 14 A. The -- the financial people I'm talking about.  
 15 Q. Financial management?  
 16 A. That's right, the in-house financial  
 17 management.  
 18 Q. Understood. Would you also expect the  
 19 auditors, if they had disclosed what they  
 20 believed to be -- let me start over -- if they  
 21 had discovered what they believed to be fraud  
 22 in the presentation of the information  
 23 presented from financial management that it be  
 24 disclosed to the audit committee?  
 25 MR. FRIESEN: Objection.

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- 1 A. Absolutely, or to the audit committee and then  
2 to the audit committee to the board,  
3 absolutely.
- 4 Q. Okay. Are you aware of, during any time in  
5 which you served on the AHERF board, the  
6 auditors coming to the board with concerns  
7 about the integrity of financial information?
- 8 A. Never.
- 9 Q. Are you aware of whether or not the auditors  
10 came to the board with concerns about any  
11 perceived intentional or material misstatements  
12 in the financial data presented by AHERF's  
13 financial management?
- 14 A. Never.
- 15 Q. And are you aware of the auditors coming to the  
16 board with any concerns that there had been  
17 fraud in the presentation of financial  
18 information presented to them for audit?
- 19 A. Never.
- 20 Q. Now, I take it that you understand that one of  
21 the roles of the audit committee, if the  
22 auditors had come to them with such concerns,  
23 would be to investigate the revelations brought  
24 to them?
- 25 A. That's correct.

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- 1 MR. FRIESEN: Objection.
- 2 Q. Based on your experience with the AHERF board,  
3 what is your understanding of what the audit  
4 committee's role would be in that scenario?
- 5 MR. FRIESEN: Objection, calls for  
6 speculation.
- 7 Q. Go ahead.
- 8 A. My thought would be that the chairman of the  
9 audit committee and the audit committee would  
10 make an investigation, and if it were found to  
11 be true, would report that to the board with a  
12 recommendation.
- 13 Q. And if its recommendation was brought forth to  
14 the board, then the board in that meeting would  
15 have either voted to accept or reject that  
16 recommendation; is that correct?
- 17 A. That's correct.
- 18 MR. FRIESEN: Objection.
- 19 Q. And, in fact, you relied upon the audit  
20 committee to perform such an investigation if  
21 they were charged with undertaking such a task?
- 22 A. Yes.
- 23 MR. FRIESEN: Objection.
- 24 Q. Do you know, Mr. Davenport, who the chair of  
25 AHERF's audit committee was during fiscal year

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- 1 1996?
- 2 A. I believe it was J. David Barnes.
- 3 Q. Do you know whether or not he also served in  
4 that role in fiscal year 1997?
- 5 A. I believe so.
- 6 Q. Do you know Mr. Barnes personally?
- 7 A. Yes.
- 8 Q. You mentioned earlier today some trustees whom  
9 you thought were more active than others. Do  
10 you recall discussing that?
- 11 A. That's correct.
- 12 Q. Would you throw Mr. Barnes into the category of  
13 those trustees who were more active than others  
14 in terms of questioning management and being  
15 involved in meeting discussions?
- 16 A. No, I would not. I would say that he was  
17 active in the sense of presenting the audit  
18 committee reports, but in terms of questioning,  
19 at least in terms of at trustee meetings, the  
20 people I mentioned were the ones I felt were  
21 the most aggressive.
- 22 Q. So you viewed him as a primary point person  
23 coming from the audit committee and  
24 communicating his recommendations and findings  
25 to the board; correct?

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- 1 A. Correct.
- 2 Q. In the course of your experience on other  
3 nonprofit boards outside of AHERF, have you  
4 ever been presented with a situation by an  
5 outside auditor in which the auditors had  
6 raised questions about the organization's  
7 management or its integrity?
- 8 A. No. I hesitated because I have been presented  
9 with information from a different source but  
10 not from an audit, an auditor.
- 11 Q. And does this relate to AHERF or some other  
12 group?
- 13 A. No, with regard to another group.
- 14 Q. Okay. And did that information call into  
15 question the integrity of the management of  
16 that organization?
- 17 A. Yes.
- 18 Q. And were any actions taken --
- 19 A. Yes.
- 20 Q. -- in response to that information?
- 21 A. Yes.
- 22 Q. Can you tell me what actions were taken, sir.
- 23 A. Well, this is National Urban League. There was  
24 question about one of our, what we call,  
25 affiliates, the New York affiliate was not



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1 paying taxes, was using grant moneys in an  
2 improper fashion. A special committee was  
3 constituted on which I served, and we  
4 investigated, found it to be true, and the guy  
5 was fired.

6 Q. And the individual responsible was terminated?  
7 A. That's correct.

8 Q. Now, if the audit committee had come to the  
9 AHERF board with a conclusion that there had  
10 been shell games or financial misstatements in  
11 the financial statements presented for audit,  
12 can you tell me what options the board would  
13 have had at its disposal to resolve that  
14 situation?

15 MR. FRIESEN: Objection, compound and  
16 calls for speculation.

17 Q. Go ahead, sir.

18 A. The option would be to -- I think to really  
19 only fire the person and replace him because  
20 that's fundamental.

21 Q. By saying fire the person, you mean the person  
22 that would be responsible for the financial  
23 misstatements?

24 A. That's correct. I mean I think that's a one  
25 strike and you are out, before any material

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1 misrepresentations.

2 Q. And, again, forgive me for being -- for this  
3 question being so obvious, but why, to you as a  
4 nonprofit board member, would financial  
5 management's integrity be so important?

6 A. That would determine your ability to stay in  
7 business and the honesty of your  
8 representations. That's fundamental.

9 Q. Would the integrity of financial management  
10 also play a role in your views as to the  
11 representations made by that management --  
12 manager regarding the organization's business  
13 direction?

14 A. Yes.

15 MR. FRIESEN: Objection.

16 Q. And would the -- is the integrity of an  
17 organization's financial management important  
18 to you as a board member in gauging whether or  
19 not the projections they put forth are accurate  
20 or based on accurate information?

21 A. Yes.

22 Q. Does the name Ira Gumberg ring any bells to  
23 you?

24 A. Yes.

25 Q. Can you tell me who he is?

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1 A. He's a businessman here in Pittsburgh and  
2 serves on the board of AHERF.

3 Q. Were you a concurrent member with Mr. Gumberg?

4 A. Yes, I was.

5 Q. Do you have any impressions as to whether or  
6 not Mr. Gumberg was one of those more active  
7 trustees that you discussed earlier who would  
8 from time to time raise questions with  
9 management?

10 A. Sometimes, yes.

11 Q. Can you recall any specific issues regarding  
12 which Mr. Gumberg would raise questions?

13 A. I recall a specific incident, but I don't  
14 recall the issue.

15 Q. What's the incident then?

16 A. Well, the incident, I mean a time when there  
17 was a question raised by Mr. Gumberg, but I  
18 don't recall the context of it.

19 Q. Do you recall even a general time frame in  
20 which the issue was raised?

21 A. Probably a year or two before the bankruptcy,  
22 sometime around there, because Mr. Gumberg came  
23 on the board substantially after I did, and so  
24 probably -- I don't know exactly, but a year or  
25 two before we really found out that we were

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1 really, really in horrible shape, as I  
2 recollect.

3 Q. Do you recall any trustees outside the context  
4 of an AHERF board meeting questioning the  
5 integrity of either Mr. Abdelhak or David  
6 McConnell?

7 A. No.

8 Q. Do you know who David McConnell is?

9 A. Yes.

10 Q. Who is he?

11 A. The chief financial officer.

12 Q. Outside of board meetings, do you recall any  
13 trustees raising concerns with you about either  
14 Mr. Abdelhak's or Mr. McConnell's competence to  
15 lead AHERF?

16 A. No.

17 Q. Do you recall that one of the roles of the  
18 audit committee was to recommend to the parent  
19 board which independent auditing firm the  
20 organizations would select for the next fiscal  
21 year?

22 A. Oh, yes.

23 Q. Do you recall Mr. Barnes coming to the board  
24 recommending that Coopers & Lybrand be so  
25 retained?

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1 A. I don't recall it, but I'm sure that occurred.  
2 Q. Do you also recall that another role of the  
3 audit committee was to recommend to the board  
4 for its approval the audit plan --  
5 A. Yes.  
6 Q. -- for the fiscal year-end?  
7 A. Yes.  
8 Q. Do you, in fact, recall those votes taking  
9 place?  
10 A. No, I do not.  
11 Q. Do you ever recall any trustees raising  
12 questions or concerns about the audit plan --  
13 A. No.  
14 Q. -- presented by Mr. Barnes at board meetings?  
15 A. No.  
16 Q. A while back you mentioned that quarterly  
17 information was helpful to you as an AHERF  
18 board member because it was helpful in giving  
19 some indication of how the system was  
20 performing?  
21 A. Correct.  
22 Q. Can you tell me how you used audited financial  
23 statements, if at all, as a board member to  
24 gauge the system's performance?  
25 A. Oh, clearly to see if we were making a profit

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1 or losing money or what have you, but, you  
2 know, historically up until the end, we always  
3 made money.  
4 Q. Did you also expect as a trustee that if there  
5 was anything materially wrong with the internal  
6 quarterly numbers that you were given, that  
7 that would be disclosed in the year-end audit  
8 report?  
9 A. Yes.  
10 Q. Why would that be important to you?  
11 A. Well, for the same reason, to see what  
12 direction the institution was heading and make  
13 certain that we were being responsive, we were  
14 growing or moving in an appropriate fashion.  
15 Q. So is it fair to say that accurate audited  
16 financial statements were also important to you  
17 to gauge whether or not AHERF's business plan  
18 was a wise one?  
19 A. Yes.  
20 Q. You also mentioned that in the beginning of the  
21 trend towards managed care, that we initially  
22 became more profitable under the system where  
23 DRGs were used?  
24 A. That's correct.  
25 Q. Who was the "we" in your answer?

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1 A. The Allegheny General Hospital.  
2 Q. Okay. Were you aware of whether any other  
3 hospitals within AHERF similarly became more  
4 profitable under the DRG system?  
5 A. There weren't any other hospitals.  
6 Q. At that time?  
7 A. At that time.  
8 Q. Understood. What do you base, if you can tell  
9 me, that recollection on, that AGH had improved  
10 its financial performance?  
11 A. Our financials, our financials, the  
12 representations by Sherif Abdelhak and the  
13 financials which showed I think we made like 30  
14 million -- went -- made 8 million, make it \$30  
15 million, it's a lot of money in '80, whatever,  
16 '88, '89.  
17 Q. So your recollection is based on both internal  
18 information provided by management and the  
19 audited information you received on a yearly  
20 basis?  
21 A. Correct, that's right.  
22 Q. Take out for me Exhibit 724. It is the second  
23 book --  
24 A. Okay.  
25 Q. -- for the 6/21/96 AHERF board meeting.

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1 A. I have it.  
2 Q. Turn to page 3608.  
3 A. 3608, okay.  
4 Q. This page is entitled Coopers & Lybrand  
5 Proposed AHERF Audit Plan for FY 1996?  
6 A. Right.  
7 Q. I don't want you to review the entire thing,  
8 sir, but just review the first couple of pages  
9 following 3608, and let me know if this  
10 refreshes your recollection at all with respect  
11 to the audit plans presented for approval.  
12 A. I don't recall it. I see it, but I don't  
13 recall. This is addressed to the audit  
14 committee I guess? And so -- okay.  
15 Q. Turn back, if you will, to page 3568. It is  
16 titled AHERF Executive Summary Fiscal Year  
17 1997.  
18 A. Okay.  
19 Q. Tell me when you are there.  
20 A. I'm here.  
21 Q. This is a page that I think you and Mr. Friesen  
22 discussed earlier?  
23 A. Right.  
24 Q. And this discusses some of the plans to address  
25 the rise in managed care which included the

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1 A. That's correct.  
 2 Q. Now, I just want to clarify one thing that you  
 3 stated to Mr. Unice, which was you said that  
 4 historically AHERF -- you said historically we  
 5 had always been making money?  
 6 A. Correct.  
 7 Q. And I know that you were on the Allegheny board  
 8 beginning in 1969 --  
 9 A. That's correct.  
 10 Q. -- throughout after the bankruptcy, and that's  
 11 a very long time.  
 12 A. Right.  
 13 Q. And I just want to clarify, if you go to  
 14 Exhibit 2101 again, which is that short --  
 15 there it is -- for the first quarter of 1998.  
 16 A. Mm-hmm.  
 17 Q. For the meeting where you were not at the  
 18 meeting?  
 19 A. Mm-hmm.  
 20 Q. Clearly here AHERF's not making money; right?  
 21 A. That -- clearly.  
 22 MR. FRIESEN: Okay. That's all I  
 23 have.  
 24 MR. UNICE: Dave, would you like him  
 25 to read and sign.

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1 MR. McCLENAHAN: We will not waive  
 2 signature.  
 3 THE VIDEOGRAPHER: Being there are no  
 4 further questions, this deposition is ended at  
 5 1:18.  
 6 ----  
 7 (The proceedings were concluded at 1:18 p.m.)  
 8 ----  
 9  
 10  
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 21  
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 23  
 24  
 25

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1 COMMONWEALTH OF PENNSYLVANIA ) CERTIFICATE  
 2 COUNTY OF ALLEGHENY ) SS:  
 3 I, Heidi H. Willis, RPR, CRR, a Court Reporter  
 4 and Notary Public in and for the Commonwealth of  
 5 Pennsylvania, do hereby certify that the witness,  
 6 RONALD R. DAVENPORT, was by me first duly sworn to  
 7 testify to the truth; that the foregoing deposition  
 8 was taken at the time and place stated herein; and  
 9 that the said deposition was recorded  
 10 stenographically by me and then reduced to printing  
 11 under my direction, and constitutes a true record of  
 12 the testimony given by said witness.  
 13 I further certify that the inspection, reading  
 14 and signing of said deposition were NOT waived by  
 15 counsel for the respective parties and by the  
 16 witness.  
 17 I further certify that I am not a relative or  
 18 employee of any of the parties, or a relative or  
 19 employee of either counsel, and that I am in no way  
 20 interested directly or indirectly in this action.  
 21 IN WITNESS WHEREOF, I have hereunto set my hand  
 22 and affixed my seal of office this 21st day of April,  
 23 2004.  
 24 \_\_\_\_\_  
 25 Notary Public

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1 COMMONWEALTH OF PENNSYLVANIA ) E R R A T A  
 2 COUNTY OF ALLEGHENY ) S H E E T  
 3  
 4 I, Ronald R. Davenport, have read the foregoing  
 5 pages of my deposition given on Tuesday, April 20,  
 6 2004, and wish to make the following, if any,  
 7 amendments, additions, deletions or corrections:  
 8  
 9  
 10  
 11  
 12  
 13  
 14  
 15  
 16  
 17  
 18  
 19  
 20 In all other respects, the transcript is true and  
 21 correct.  
 22 \_\_\_\_\_  
 23 RONALD R. DAVENPORT  
 24  
 25 Subscribed and sworn to before me this  
 \_\_\_\_\_ day of \_\_\_\_\_, 2004.  
 \_\_\_\_\_  
 Notary Public  
 AKF Reference No. HW80389

**Den Uyl Dep.**

**In The Matter Of:**

*AHERF v.  
PRICEWATERHOUSECOOPERS, LLP*

---

*ROBERT BRUCE DEN UYL  
March 8, 2005*

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***LEGALINK MANHATTAN***  
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***New York, NY 10170***  
***PH: 212-557-7400 / FAX: 212-692-9171***

**DEN UYL, ROBERT BRUCE - Vol. 1**



Page 14

Page 16

1 Robert Bruce Den Uyl  
 2 list, we have two.  
 3 A. The third would have been an  
 4 engagement involving Bon Secours Hospital.  
 5 Q. Where is that?  
 6 A. Well, Bon Secours, the hospital  
 7 entity that I was dealing with was in I think it  
 8 was Baltimore.  
 9 Q. In what court was that case?  
 10 A. It was a case in New Jersey.  
 11 Q. Did you testify in the Bon Secours  
 12 case?  
 13 A. No.  
 14 Q. Did you submit an expert report in  
 15 the Bon Secours case?  
 16 A. I believe so.  
 17 Q. Did you submit expert reports in  
 18 the Poplar Bluff and Sutter Health cases?  
 19 A. Yes, I did.  
 20 Q. The fourth incident or retention  
 21 that you have in mind?  
 22 A. I don't recall the name of the  
 23 matter. It was a case when I was at  
 24 Pricewaterhouse actually involving a retailer, I  
 25 don't recall the name.

1 Robert Bruce Den Uyl  
 2 this case.  
 3 (Expert report of R. Bruce Den  
 4 Uyl, marked Exhibit 6106 for  
 5 identification.)  
 6 MR. BROOKS: While we are at it I  
 7 will mark and give to the witness as Exhibit  
 8 6107 a copy of his rebuttal report.  
 9 (Rebuttal report of R. Bruce Den  
 10 Uyl, marked Exhibit 6107 for  
 11 identification.)  
 12 Q. Mr. Den Uyl, at page 24 of your  
 13 initial report, Exhibit 6106, let me ask you to  
 14 turn to that page. Do you say there "My opinion  
 15 is informed by the analysis of Mr. Thomas  
 16 Singleton that such an intervention could and  
 17 likely would have allowed a turnaround and  
 18 therefore the avoidance of any creditor loss",  
 19 do you see that language?  
 20 A. Yes, I do.  
 21 Q. Apart from studying the report of  
 22 Mr. Singleton, have you yourself made any  
 23 independent effort to design or evaluate the  
 24 feasibility of any turnaround plan for AHERF or  
 25 any AHERF entity?

Page 15

Page 17

1 Robert Bruce Den Uyl  
 2 Q. In the Sutter health case did you  
 3 give live testimony at trial?  
 4 A. Yes, I did.  
 5 Q. When was that testimony given?  
 6 A. I don't recall the date, it  
 7 probably would have been '91, I'm sorry, 2001,  
 8 2000, somewhere in that time frame.  
 9 Q. In your work for this case you have  
 10 not attempted to form any personal opinions or  
 11 conclusions as to the substantive merit of the  
 12 audits that were performed by Pricewater or by  
 13 Coopers & Lybrand in '96 and '97, have you?  
 14 MS. MEADEN: Objection; vague.  
 15 A. Yes, if you could elaborate what  
 16 you mean by substantive.  
 17 Q. Do you expect to offer any opinions  
 18 in this case as to whether or to what extent  
 19 Coopers & Lybrand properly performed its duties  
 20 as auditor in connection with its audits in 1996  
 21 and in 1997 of AHERF and associated entities?  
 22 A. No.  
 23 MR. BROOKS: Let me ask the  
 24 reporter to mark as Exhibit 6106 and hand to the  
 25 witness a copy of his initial expert report in

1 Robert Bruce Den Uyl  
 2 MS. MEADEN: Objection as to form.  
 3 A. No, I have not.  
 4 Q. Have you performed any modeling  
 5 yourself or had any staff perform any modeling  
 6 to arrive at any personal conclusion as to  
 7 whether any hypothetical turnaround for AHERF or  
 8 any AHERF entity would have worked?  
 9 A. No, I have not.  
 10 Q. In fact, in this litigation do you  
 11 expect to offer any opinions as to the  
 12 feasibility of any turnaround plan for AHERF or  
 13 any AHERF entity?  
 14 MS. MEADEN: Objection as to form.  
 15 A. No, I don't think so. I'm relying  
 16 on Mr. Singleton to render his opinion with  
 17 respect to the turnaround.  
 18 Q. Do you have any academic training  
 19 in the management of healthcare organizations?  
 20 A. No, not specifically, no.  
 21 Q. Do you have any prior experience  
 22 holding any executive position in a healthcare  
 23 organization?  
 24 A. No, I've just been a consultant to  
 25 healthcare organizations.

5 (Pages 14 to 17)



Page 18

Page 20

1 Robert Bruce Den Uyl  
 2 Q. Have you ever been on the board of  
 3 any healthcare organization?  
 4 A. No.  
 5 Q. Have you ever been retained as a  
 6 consultant to develop a turnaround plan for a  
 7 healthcare organization?  
 8 A. No, I have not.  
 9 Q. Describe for me if you would the  
 10 nature of the engagements that you have had with  
 11 healthcare organizations, apart from serving as  
 12 an expert in legal proceedings?  
 13 A. Sure. Well, there's been a number  
 14 of them over the years, many of them are related  
 15 to valuations of healthcare entities for a  
 16 number of different purposes. Typically it will  
 17 be with an acquisition or a divestiture or a  
 18 merger of a healthcare entity that they want to  
 19 have a valuation performed and in connection  
 20 with that I also get involved in working with  
 21 either the management or the board in analyzing  
 22 the transaction, analyzing the financial impact  
 23 of the transaction, things like that. I have  
 24 also done a number of what I would refer to as  
 25 fairness reviews for attorney generals

1 Robert Bruce Den Uyl  
 2 own, it could be the acquisition of another  
 3 hospital, it could be just advising them that  
 4 certain other internal actions might be wise or  
 5 they need to slow down in some other activities  
 6 that they are undertaking, say capital programs  
 7 or something like that.  
 8 Q. Do you consider yourself an expert  
 9 on the governance of healthcare organizations?  
 10 A. I'm not sure how exactly you mean  
 11 governance, maybe I can ask you to define that.  
 12 Q. Do you consider yourself an expert  
 13 on how boards do or should perform their  
 14 supervisory responsibilities in the context of  
 15 healthcare organizations?  
 16 MS. MEADEN: Objection; vague.  
 17 A. What I would, in answer to your  
 18 question and in some areas I may not get  
 19 involved. When it comes to helping boards or  
 20 advising boards take action with respect to  
 21 their financial matters, that's something I have  
 22 been involved with and do consider myself  
 23 somewhat of an expert on.  
 24 Q. Do you consider yourself an expert  
 25 on the processes and procedures that boards

Page 19

Page 21

1 Robert Bruce Den Uyl  
 2 throughout The United States regarding  
 3 healthcare transactions where a not-for-profit  
 4 healthcare entity is being purchased by a for  
 5 profit entity.  
 6 Q. The fairness review again is  
 7 relating to the fairness of the valuation?  
 8 A. The fairness of the consideration  
 9 received, yes.  
 10 Q. Is it fair to say that your primary  
 11 expertise in this area relates to the valuation  
 12 of healthcare organizations?  
 13 MS. MEADEN: Objection.  
 14 A. Certainly valuation is one area and  
 15 then all the financial advice that may be a part  
 16 of that, or even financial advice separate and  
 17 apart from a valuation. I've advised healthcare  
 18 companies or institutions regarding financial  
 19 issues that they may face.  
 20 Q. What type of financial issues?  
 21 A. Well, for example, if a healthcare  
 22 institution is having financial difficulties I  
 23 have talked to them about what some of the  
 24 options might be that they could undertake. It  
 25 could be a divestiture of a hospital that they

1 Robert Bruce Den Uyl  
 2 should follow in the course of fulfilling of  
 3 their fiduciary duties to the entities they  
 4 supervise?  
 5 MS. MEADEN: Objection; vague.  
 6 A. It sounds like what you're asking  
 7 is more of legal processes than fiduciary  
 8 responsibilities, that's certainly not what I  
 9 would be involved in. If it relates to a  
 10 financial issue then I may provide advice as to  
 11 how the board might want to proceed or whatever  
 12 issues they may choose to consider.  
 13 MS. MEADEN: Can we go off the  
 14 record.  
 15 THE VIDEOGRAPHER: We are going off  
 16 the record, the time is 9:33.  
 17 (Off the record.)  
 18 THE VIDEOGRAPHER: We are now back  
 19 on the record, the time is 9:34, the tape is  
 20 rolling.  
 21 Q. Mr. Den Uyl, do you consider  
 22 yourself an expert on the structuring of  
 23 covenants in debt instruments?  
 24 MS. MEADEN: Objection.  
 25 A. Well, your question is specific on

6 (Pages 18 to 21)

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Page 64

1 Robert Bruce Den Uyl  
 2 your due diligence and I don't know if that had  
 3 been accomplished in December or at some later  
 4 date.  
 5 Q. Without flipping you in your  
 6 report, do you recall that at the time that it  
 7 was, well, do you recall that in June of 1996  
 8 the Graduate hospitals which were ultimately  
 9 acquired by AHERF had approximately \$170 million  
 10 of preexisting long-term debt?  
 11 A. Yes, that's correct.  
 12 Q. Do you know when that debt was  
 13 incurred?  
 14 A. Not specifically, no.  
 15 Q. But some years earlier, correct?  
 16 A. Sometime earlier, yes.  
 17 Q. Do you know whether that debt was  
 18 ever refinanced after Graduate was -- was that  
 19 debt ever refinanced after Graduate was merged  
 20 into SDN?  
 21 A. As I recall they assumed the debt,  
 22 but then I think there were some Centennial  
 23 bonds that were issued that may have refinanced  
 24 that, but I would have to check to make sure.  
 25 Q. Do you have any recollection as to

1 Robert Bruce Den Uyl  
 2 uncertainty regarding the timely surrounding and  
 3 improvement in the Graduate Hospital's financial  
 4 condition." What was the significance of the  
 5 reference to the change in control in your  
 6 understanding?  
 7 A. That's what Moody's discussed in  
 8 one of the rationales for providing the  
 9 downgrade, that there was the possibility that  
 10 there would be a change in control from the  
 11 entity that had the cash to an AHERF entity.  
 12 Q. Let me give you what has been  
 13 previously marked as Exhibit 245 which is a  
 14 Moody's investor service rating news relating I  
 15 believe to the downgrade in question. Take a  
 16 look at that and tell me if you have seen that  
 17 before?  
 18 A. Yes, I think I've seen this.  
 19 Q. On the second page of the document  
 20 the first page headed "Rating News", I'm  
 21 correct, am I not, in this document Moody's  
 22 states that it "views the entrance of new  
 23 leadership (AHERF executives) as a stabilizing  
 24 factor at this lower rating level."  
 25 A. Where are you?

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Page 65

1 Robert Bruce Den Uyl  
 2 whether Graduate was headed towards financial  
 3 failure and bankruptcy at the time that it was  
 4 acquired by AHERF?  
 5 MS. MEADEN: Objection; vague as to  
 6 when it was acquired by AHERF.  
 7 Q. Let me ask a clearer question. Do  
 8 you have any knowledge as to whether Graduate  
 9 was in such financial distress that bankruptcy  
 10 was likely prior to the time that it merged into  
 11 SDN?  
 12 A. No, I don't think so. The parent  
 13 entity had quite a bit of cash and furthermore  
 14 the distress was not such that it necessarily  
 15 couldn't have been turned around at that time.  
 16 Q. Let me turn you to page 4 in your  
 17 report. Toward the bottom you state that the  
 18 Graduate hospitals were in financial distress,  
 19 you cite certain news articles and a financial  
 20 statement, and then you mentioned that the  
 21 Graduate bonds were down graded to junk bond  
 22 status in August of 1996, do you see that?  
 23 A. Yes.  
 24 Q. In that sentence you say they were  
 25 downgraded "Citing the change in control and the

1 Robert Bruce Den Uyl  
 2 Q. In the last paragraph on the page  
 3 ending in 123. The language I wanted to call  
 4 your attention to is three lines from the end it  
 5 states "Moody's does view the entrance of new  
 6 leadership (AHERF executives) as a stabilizing  
 7 factor", do you see that?  
 8 A. Yes, I do.  
 9 Q. So in this context Moody's viewed  
 10 the change of management as stabilizing and a  
 11 positive factor, correct?  
 12 A. Potentially they did, yes.  
 13 Q. That's what they said they viewed  
 14 it as, right?  
 15 A. They say at this lower rating  
 16 level.  
 17 Q. Are you aware that in this time  
 18 period one of Graduate's major payers, the Blue  
 19 Cross organization, IBC, had sent notice that it  
 20 was terminating its relationship with Graduate?  
 21 A. Yes.  
 22 Q. Would you agree with me that that  
 23 termination had it been put in place and  
 24 continued would have been financially disastrous  
 25 for Graduate?

17 (Pages 62 to 65)

Page 66

1 Robert Bruce Den Uyl  
 2 MS. MEADEN: Objection, foundation.  
 3 A. I don't know that that would be  
 4 true.  
 5 Q. You don't know one way or the  
 6 other?  
 7 A. Well, people may move out of a  
 8 relationship with a managed care organization  
 9 and pick up a new managed care organization.  
 10 Q. If responsible Graduate executives  
 11 have testified in this case that the termination  
 12 of the IBC contract would have been disastrous  
 13 for Graduate, would you have any reason to  
 14 disagree with their views?  
 15 MS. MEADEN: Objection to form and  
 16 foundation.  
 17 A. Yes, well I would have to  
 18 understand the context of it. So for example,  
 19 if whatever they mean by disastrous it isn't  
 20 necessarily the case that someone couldn't come  
 21 in and form a new relationship with another  
 22 managed care organization.  
 23 Q. As you sit here today do you have  
 24 any knowledge of whether there were other  
 25 managed care organizations in the relevant

Page 67

1 Robert Bruce Den Uyl  
 2 market as large as IBC?  
 3 A. I don't know, it was one of the  
 4 large organizations certainly.  
 5 Q. What financial analysis, if any,  
 6 have you attempted to evaluate the question of  
 7 whether Graduate could have survived and avoided  
 8 bankruptcy had it not been acquired by AHERF?  
 9 A. I haven't done any specific  
 10 analysis because my analysis suggests that they  
 11 would have had the properly stated financial  
 12 statements that they wouldn't have undertaken  
 13 the Graduate acquisition. The issue of whether  
 14 they would have gone bankrupt or not is not  
 15 really relevant to that opinion.  
 16 Q. That is you have confined yourself  
 17 to the question of whether AHERF would have  
 18 acquired Graduate and have not studied the  
 19 question of what would have happened to Graduate  
 20 and its bondholders if it had not been acquired,  
 21 correct?  
 22 A. Certainly the first part of your  
 23 question is true, that's what I have focused on.  
 24 I don't think anybody can know what would have  
 25 happened to Graduate had they not been acquired

Page 68

1 Robert Bruce Den Uyl  
 2 by AHERF.  
 3 Q. Let me turn you to page 31 in your  
 4 report. There in the third paragraph you  
 5 summarize Centennial's cash flow losses from May  
 6 of 1997 through June of 1998 and then through  
 7 November of 1998, correct?  
 8 A. Yes, that's right.  
 9 Q. What is your understanding of the  
 10 source from which those cash flow losses were  
 11 paid?  
 12 A. It would have been the funds that  
 13 AHERF had, whether it be the west or other  
 14 entities in the east I don't know.  
 15 Q. Are you aware of any evidence that  
 16 AHERF ever transferred cash from other entities  
 17 to Centennial or any of the Graduate hospitals  
 18 for purposes of covering cash flow losses?  
 19 A. I think there were transfers, yes.  
 20 Q. What transfers do you have in mind?  
 21 A. I've just seen inter-company  
 22 payables on the books of Graduate.  
 23 Q. Do you know whether you have seen  
 24 any evidence of cash transfers from any AHERF  
 25 entity to Centennial?

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1 Robert Bruce Den Uyl  
 2 A. I don't know that I've seen  
 3 specific cash transfers, no.  
 4 Q. Have you formed any opinion as to  
 5 whether the cash flow losses of the Graduate  
 6 hospitals would have been lower if those  
 7 hospitals had not been acquired by AHERF?  
 8 A. No, I think that's unknowable. You  
 9 don't know what would have happened to those  
 10 hospitals but for the acquisition, we know what  
 11 actually did happen.  
 12 Q. Do you have any knowledge as to  
 13 whether Graduate management searched for or  
 14 negotiated with other potential purchasers  
 15 before the AHERF transaction was entered into?  
 16 A. I recall reading that they were  
 17 looking for other suitors as well.  
 18 Q. Do you have any understanding as to  
 19 whether they succeeded in finding any other  
 20 potential acquirers?  
 21 A. Not that I am aware of.  
 22 Q. That is they didn't find others?  
 23 A. I'm not aware that they did find  
 24 others.  
 25 Q. Let me ask you to find your

18 (Pages 66 to 69)

**Official Committee of Unsecured Creditors of AHERF v. PwC**  
**Errata Sheet: Robert Bruce Den Uyl Deposition dated March 8, 2005**

Page	Line	Change	Reason
5	5	"Alix Partner's" to "AlixPartners"	Transcription error
5	14	"Alix Partners" to "AlixPartners"	Transcription error
5	18	"Alix Partner's" to "AlixPartners"	Transcription error
8	10	"Pricewaterhouse" to "Price Waterhouse"	Transcription error
8	15	"Pricewaterhouse" to "Price Waterhouse"	Transcription error
8	22	"Pricewaterhouse" to "Price Waterhouse"	Transcription error
8	24	"Pricewaterhouse" to "Price Waterhouse"	Transcription error
9	10	"Pricewaterhouse" to "Price Waterhouse"	Transcription error
9	16	"Pricewaterhouse" to "Price Waterhouse"	Transcription error
9	17	"Stahlder" to "Stalder"	Name misspelling
9	20	"Stahlder" to "Stalder"	Name misspelling
9	25	"Stahlder" to "Stalder"	Name misspelling
10	3	"Stahlder" to "Stalder"	Name misspelling
10	20	"Pricewaterhouse" to "Price Waterhouse"	Transcription error
10	25	"Alix Partners" to "AlixPartners"	Transcription error
11	9	"Alix Partners" to "AlixPartners"	Transcription error
12	5	"Alix Partners" to "AlixPartners"	Transcription error
12	10	"Alix Partner's" to "AlixPartners"	Transcription error
12	11	"Alix Partners" to "AlixPartners"	Transcription error
14	24	"Pricewaterhouse" to "Price Waterhouse"	Transcription error
15	12	"Pricewater" to "PricewaterhouseCoopers"	Transcription error
26	10	"290" to "90"	Transcription error
26	18	" n serious" to "in serious"	Transcription error
27	5	"40" to "\$40"	Add dollar sign
32	15	"140" to "\$140"	Add dollar sign
36	12	"\$1 0" to "\$150"	Include a missing number
38	16	"C and O" to "D and O"	Transcription error
39	4	"days" to "dates"	Transcription error
42	12	"McConnel" to "McConnell"	Name misspelling
50	13	"aggressive" to "above"	Transcription error
70	23	"bankers" to "bankruptcies"	Transcription error
71	23	"likely" to "unlikely"	Transcription error
84	15	"subsequent" to "substantively"	Transcription error
95	22	"subsequently" to "substantively"	Transcription error
100	8	"unless it was" to "it was"	Removal of extra word
101	22	"21" to "\$21"	Add dollar sign
107	18	"40" to "\$40"	Add dollar sign
107	20	"60" to "\$60"	Add dollar sign
111	16	"17" to "\$17"	Add dollar sign
111	25	"require" to "acquire"	Transcription error
114	14	"position" to "physician"	Transcription error
114	25	"AIGH" to "AIHG"	Transcription error
122	19	"productivity" to "profitability"	Transcription error
124	24	"one else's" to "analysis"	Transcription error



**Official Committee of Unsecured Creditors of AHERF v. PwC**  
**Errata Sheet: Robert Bruce Den Uyl Deposition dated March 8, 2005**

Page	Line	Change	Reason
130	23	"practice" to "practices"	Transcription error
137	19	"100" to "\$100"	Add dollar sign
139	8	"100" to "\$100"	Add dollar sign
139	23	"September 30, 1997" to "September 30, 1996"	Change to appropriate year
144	14	"9" to "\$9"	Add dollar sign
144	22	"9" to "\$9"	Add dollar sign
146	11	"September 1997" to "September 1996"	Change to appropriate year
147	4	"2.2" to "\$2.2"	Add dollar sign
148	3	"12.7" to "\$12.7"	Add dollar sign
148	6	"18.8" to "\$18.8"	Add dollar sign
148	7	"30" to "\$30"	Add dollar sign
148	24	"31.573" to "\$31.573"	Add dollar sign
150	18	"September 30, 1997" to "September 30, 1996"	Change to appropriate year
150	24	"20" to "\$20"	Add dollar sign
150	24	"100" to "\$100"	Add dollar sign
151	2	"10/1/97" to "10/1/96"	Change to appropriate year
151	2	"20" to "\$20"	Add dollar sign
151	3	"20" to "\$20"	Add dollar sign
151	3	"100" to "\$100"	Add dollar sign
151	14	"a good enough benefit" to "a benefit"	Removal of extra words
151	25	"9/30/97" to "9/30/96"	Change to appropriate year
155	4	"22" to "\$22"	Add dollar sign
158	2-3	"America Health" to "Health America"	Change order of words
162	6	"22.63" to "\$22.63"	Add dollar sign
162	18	"22.63" to "\$22.63"	Add dollar sign
162	19	"cashed" to "cash"	Transcription error
163	14	"22.63" to "\$22.63"	Add dollar sign
165	11	"22" to "\$22"	Add dollar sign
165	23	"22" to "\$22"	Add dollar sign
165	24	"22" to "\$22"	Add dollar sign
166	9	"22" to "\$22"	Add dollar sign
166	14	"22" to "\$22"	Add dollar sign
167	13	"27.1" to "\$27.1"	Add dollar sign
167	19	"27.1" to "\$27.1"	Add dollar sign
167	21	"30.7" to "\$30.7"	Add dollar sign
167	24	"30.7" to "\$30.7"	Add dollar sign
168	4	"30.7" to "\$30.7"	Add dollar sign
168	17	"27.1" to "\$27.1"	Add dollar sign
168	21	"27.1" to "\$27.1"	Add dollar sign
168	25	"30.7" to "\$30.7"	Add dollar sign
169	4	"30.7" to "\$30.7"	Add dollar sign
169	14	"22.6" to "\$22.6"	Add dollar sign
169	21	"27.1" to "\$27.1"	Add dollar sign
169	22	"30.7" to "\$30.7"	Add dollar sign

**Official Committee of Unsecured Creditors of AHERF v. PwC**  
**Errata Sheet: Robert Bruce Den Uyl Deposition dated March 8, 2005**

Page	Line	Change	Reason
169	22	"27.8" to "\$27.8"	Add dollar sign
169	25	"27.1" to "\$27.1"	Add dollar sign
169	25	"30.7" to "\$30.7"	Add dollar sign
170	3	"57.8" to "\$57.8"	Add dollar sign
170	10	"57.8" to "\$57.8"	Add dollar sign
170	16	"22.6" to "\$22.6"	Add dollar sign
171	4	"22.6" to "\$22.6"	Add dollar sign
172	9	"22" to "\$22"	Add dollar sign
172	15	"22" to "\$22"	Add dollar sign
172	20	"27" to "\$27"	Add dollar sign
178	8	"35.1" to "\$35.1"	Add dollar sign
178	9	"27" to "\$27"	Add dollar sign
178	14	"57.8" to "\$57.8"	Add dollar sign
178	16	"22" to "\$22"	Add dollar sign
178	22	"57.8" to "\$57.8"	Add dollar sign
178	23	"27.12" to "\$27.12"	Add dollar sign
178	25	"27.12" to "\$27.12"	Add dollar sign
179	4	"35.19" to "\$35.19"	Add dollar sign
179	8	"60" to "\$60"	Add dollar sign
179	10	"22" to "\$22"	Add dollar sign
179	14	"57.8" to "\$57.8"	Add dollar sign
179	17	"27" to "\$27"	Add dollar sign
179	24	"27.12" to "\$27.12"	Add dollar sign
180	3	"35.19" to "\$35.19"	Add dollar sign
180	4	"27.12" to "\$27.12"	Add dollar sign
180	11	"57.8" to "\$57.8"	Add dollar sign
180	12	"57.8" to "\$57.8"	Add dollar sign
189	7	"Pricewaterhouse" to "PricewaterhouseCoopers"	Transcription error
191	9	"certainly" to "certainty"	Transcription error
195	21	"stopped motion forward his IBS" to "stopped forward motion of the IDS"	Transcription error
197	9	"improved" to "imprudent"	Transcription error
197	15	"improved" to "imprudent"	Transcription error
203	4	"30" to "\$30"	Add dollar sign
203	17	"128" to "\$128"	Add dollar sign
203	18	"228" to "\$228"	Add dollar sign
204	25	"100" to "\$100"	Add dollar sign
205	21	"200" to "\$200"	Add dollar sign
205	25	"1" to "\$100"	Add dollar sign and correct number
205	25	"97" to "96"	Transcription error
206	2	"200" to "\$200"	Add dollar sign
206	8	"200" to "\$200"	Add dollar sign
206	13	"200" to "\$200"	Add dollar sign
207	6	"tied" to "tide"	Transcription error



**Official Committee of Unsecured Creditors of AHERF v. PwC**  
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<b>Page</b>	<b>Line</b>	<b>Change</b>	<b>Reason</b>
212	17	"26.6" to "\$26.6"	Add dollar sign
212	21	"32.6" to "\$32.6"	Add dollar sign
212	25	"32.6" to "\$32.6"	Add dollar sign
236	16	"2.1" to "\$2.1"	Add dollar sign
242	11	"part your" to "part of your"	Add missing word

**Dickson Dep.**

**In The Matter Of:**

***AHERF v.  
PRICEWATERHOUSECOOPERS, L.L.P.***

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***JEFFREY R. DICKSON***  
***August 13, 2003***

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**DICKSON, JEFFREY R.**



**LEGALINK**

**A WORDWAVE COMPANY**

JEFFREY R. DICKSON

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1 topics. I know that there really wasn't -- I  
2 don't recall anything on the acute care  
3 hospital industry in general, for example. It  
4 was mostly what you read out of Modern Health  
5 Care and what you picked up on the Internet  
6 from company websites.

7 Q. From time to time, did you look at look at  
8 certain Internet websites about any AHERF  
9 entities, if you recall?

10 A. I don't recall even if AHERF had a website at  
11 that point in time. This was '98. I don't  
12 recall if they had one, and if they had, they  
13 would not have put financial information out  
14 there anyway, because they were not-for-profit.  
15 Most not-for-profits put very little, if any,  
16 information on the Web regarding financial  
17 condition.

18 Q. What kinds of information sources did you  
19 consult from time to time to learn about the  
20 AHERF entities while you were responsible for  
21 them?

22 A. Without sounding facetious, it's sort of like  
23 jumping on a train that's going 60 miles an  
24 hour. It's a very small window of time that I  
25 had. You get here and, you know, like four

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1 months later they filed for bankruptcy.

2 Q. Sure.

3 A. That's not a long window, and things -- you  
4 know, the process went very quickly.

5 Q. Sure.

6 A. At one point, I know I was picking up the files  
7 of the entities here in the Pittsburgh area and  
8 going through the credit files just trying to  
9 understand what we had in the way of exposure  
10 and reading previous write-ups, not every  
11 write-up, but the most recent write-up. I'd  
12 look at the financial statements, and then most  
13 of what you learned was learned by contact with  
14 companies, especially in a situation like this  
15 where it was not a publicly-traded entity. So  
16 you were very heavily reliant upon  
17 management's -- upon discussions with  
18 management, the amount of information which  
19 management provided you. The audited financial  
20 statements were critical in this process. You  
21 know, it's a very, very small universe to pull  
22 information from.

23 Q. What were in the credit files you mentioned  
24 that you reviewed?

25 A. They would have had the write-ups, such as, you

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1 know, what Paula Mammarella would have done.  
2 They would have had copies of the financial  
3 statements. They would have had the -- well,  
4 copies. Usually they're the originals of  
5 financial statements. They would have had -- I  
6 can't remember at PNC. They might have had the  
7 officer's compliance certificates. There was a  
8 compliance memo which I think they had to do  
9 quarterly. They would have had the spreads of  
10 the financial statements, and if there was a  
11 legal documentation file, I don't recall  
12 whether it was part of the credit files or  
13 whether it was over the loan operations area.  
14 I don't recall how PNC did that, but my focus  
15 was on financial statements.

16 Q. And did this file include, it sounds like  
17 you're saying, this historical information in  
18 the sense of not just necessarily the most  
19 recent financial statements, but all the types  
20 of documents you just mentioned that had been  
21 received with respect to the AHERF entities  
22 across time?

23 MR. COGAN: Objection.

24 Q. If you know?

25 A. Generically, the response would be -- you know,

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1 not AHERF specifically, but, yes, and it also  
2 could be a stack of files if it was a long  
3 relationship. If you asked for the files, the  
4 credit files on AHERF, you could have had a  
5 stack like this maybe. I don't remember, but,  
6 in theory, you could have a stack like, you  
7 know, three feet high.

8 Q. Did you say you don't recall how big the AHERF  
9 credit file was?

10 A. No, I don't. I don't recall.

11 Q. Okay. You mentioned that there were both -- or  
12 I think you mentioned that there were both  
13 quarterly and annual financial statements from  
14 the AHERF entities, is that correct?

15 A. Yes, sir.

16 Q. And did you review the quarterly financial  
17 statements when you -- that were in the credit  
18 files at the time you looked at those files?

19 A. I focused primarily on the annual financial  
20 statements, because only those were audited.

21 Q. What's the reason that you focused only on the  
22 annual audited financial statements?

23 A. Well, by definition, the quarterly statements  
24 were unaudited, and you cannot rely completely  
25 upon unaudited financial statements as

JEFFREY R. DICKSON

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1 representing accurately the financial condition  
2 of an entity, and, therefore, the audited  
3 financial statements are of critical importance  
4 in terms of doing your analysis.

5 Q. Why is it that, in your view, you can't rely  
6 completely on the unaudited financial  
7 statements?

8 A. By definition, they're unaudited. They can  
9 be -- management has some ability to  
10 classify -- management has the ability to  
11 present -- to create a financial presentation  
12 of accounts within certain limits as they  
13 choose to do so. The auditors are the ones who  
14 make sure that the accounting structure and the  
15 financial reporting, the accuracy, the  
16 integrity, the reliability, et cetera, et  
17 cetera, conforms to generally accepted  
18 accounting principles. Without that  
19 attestation from the auditing firm, you don't  
20 have that complete confidence that the  
21 quarterly statements are, in fact -- I'm not  
22 saying that there's something wrong, but you  
23 don't know until you actually get the audited  
24 financial statements that these have been  
25 reviewed by an outside third party and they

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1 conform to Generally Accepted Accounting  
2 Principles.

3 Q. Did PNC rely on the quarterly financial  
4 statements from AHERF entities?

5 A. Quarterly financial statements with any entity  
6 give you an indication of trends. They don't  
7 represent an absolute. So, yes, we looked at  
8 them, yes, we paid attention to them, but the  
9 critical analysis in the sense that you had  
10 that third-party look only came once a year.

11 Q. So other than this look on a once-a-year basis,  
12 was there any way for PNC to get a look at  
13 entities such as the AHERF entities between  
14 those periods?

15 A. We looked at the quarterly statements, but we  
16 would be very hesitant, Paula and myself, to  
17 make representations as to the absolute  
18 reliability of financial statements on a  
19 quarterly basis for any borrower, because  
20 they're unaudited.

21 Q. I understand you mentioned that you wouldn't  
22 make any representations as to the absolute  
23 reliability of the quarterly financial  
24 statements, because they were unaudited. Would  
25 you make any reliance on the quarterly

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1 financial statements between the audited  
2 financial statements?

3 MR. COGAN: Objection.

4 MR. POHL: Objection.

5 MR. COGAN: He just answered that  
6 question.

7 A. We -- as I said, we look at trends, we  
8 obviously pay attention to quarterly  
9 statements, but we don't have the third-party  
10 validation of the financial statements and the  
11 reliability on that quarterly statement.

12 Q. Do you know whether PNC required quarterly  
13 financial statements to be provided to it by  
14 the AHERF entities?

15 A. I believe they did. I can't testify for a fact  
16 they did. My recollection is that they did.

17 Q. Was it standard practice at PNC, to your  
18 knowledge, for quarterly financial statements  
19 to be provided to PNC from various credits?

20 A. Yes, sir, it was.

21 Q. And was it also standard practice that where  
22 compliance certificates were required, that  
23 those certificates would be based on quarterly  
24 financial statements, you know, during -- at  
25 the end of each quarter, and then based on the

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1 annual financial statements at the end of the  
2 year?

3 A. Yes, sir.

4 Q. And you mentioned that in the credit file,  
5 there were certain documents called spreads, is  
6 that right?

7 A. Yes, sir.

8 Q. And you said those were documents that were  
9 created using the financial statements provided  
10 by various entities, is that right?

11 A. Yes, sir. Banks take the financial statements  
12 provided by borrowers, and they have a certain  
13 format in which they put the financial  
14 information. It's reasonably consistent  
15 amongst banks, but it's not necessarily equal.  
16 That document -- those sheets are just numbers,  
17 basically, and it's called a spread sheet.

18 Spreads, that's how everybody refers to them.

19 Q. And did you mention that the spreads for the  
20 AHERF entities were contained within the AHERF  
21 credit files?

22 A. They should have been. I don't recall, but  
23 they should have been as a matter of practice.

24 Q. I think you mentioned that the spreads were  
25 created by using some type of proprietary